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DEPARTMENT OF STATE REVENUE

**Information Bulletin #38**  
**Sales Tax**  
**November 2022**  
**Effective Date: Upon Publication**  
**Replaces Bulletin #38, dated December 2002**

**SUBJECT:** Application of Sales Tax to Direct Payment Permit Holders

**REFERENCES:** [IC 6-2.5-8-9](#)

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUMMARY OF CHANGES**

Apart from technical, nonsubstantive changes, this bulletin has been revised to include a new introduction section and instructions for how one may apply for a Direct Payment Permit.

**INTRODUCTION**

The purpose of this bulletin is to explain the process for obtaining a Direct Payment Permit, which enables taxpayers to remit use tax directly to the state rather than paying sales tax to their suppliers.

**ISSUANCE OF DIRECT PAYMENT PERMITS**

Registered retail merchants, wholesalers, and manufacturers may apply for a Direct Payment Permit. Direct Payment Permits are issued only when the following conditions are established:

- (1) The taxpayer normally buys substantial quantities of tangible personal property which may be used for either an exempt or non-exempt purpose
- (2) There is no reasonable way that the exempt or non-exempt use can be determined at the time of purchase
- (3) Adequate records will be maintained by the taxpayer showing the ultimate use of all tangible personal property purchased and the amount of use tax remitted.

An Application for Direct Payment Authorization (DP-1) can be found online at [in.gov/dor/tax-forms/sales-tax-forms/](http://in.gov/dor/tax-forms/sales-tax-forms/). Once completed, it should be sent to:

Indiana Department of Revenue  
Business Tax Compliance  
P.O. Box 7063  
Indianapolis, IN 46204-7063

**INAPPROPRIATE USE OF DIRECT PAYMENT PERMITS**

Direct Payment Permits may not be used for the purchase of utilities, motor vehicles required to be licensed for highway use, and aircraft or watercraft required to be registered with the state. Further, Direct Payment Permits may not be issued to or accepted by a contractor unless the contractor is operating as a retail merchant making a retail transaction by disposing of construction material or converting construction material into real property under a time and material contract. Contractors operating under construction contracts or other installation contracts that do not meet the definition of a time and material contract will not be relieved of their use tax obligations by accepting Direct Payment Permits from customers. For more information on the application of sales tax to contractors, see Sales Tax Information Bulletin #60, available online at [in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/](http://in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/).

**FILING REQUIREMENTS**

Holders of Direct Payment Permits are required to file a copy of their Direct Payment Permits with their supplies in lieu of an exemption certificate. A Direct Payment Permit does not expire and is valid until revoked by the department.

The tax due must be reported on the sales tax return (Form ST-103) of the Direct Payment Permit holder.

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Robert J. Grennes, Jr.  
Commissioner

*Posted: 04/26/2023 by Legislative Services Agency*  
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